

# BoardBrief

Prepared for Colorado Hospital Association Trustees

## Transforming Your Hospital and Board of Trustees From “Good” to “Great”

Lessons in leadership—transforming your hospital’s culture to one where “good” isn’t good enough, and where “great” is the norm.

**W**hile most organizations strive for greatness, the reality is that only a few reach the pinnacle and most fall somewhere in the middle. *Good* companies provide a satisfactory level of performance, but *great* companies continuously outperform competitors and establish a culture where great is the expectation and norm.

In the book, “*Good to Great: Why Some Companies Make the Leap...and Others Don’t*,” author Jim Collins and a team of researchers examined 11 companies they determined had moved from “good”-to-“great.” These organizations met specific excellence criteria and continuously outperformed companies in similar industries in similar circumstances. The book reveals many lessons that hospital executives and boards of directors can apply.

Over the five-year project led by Collins, the research team examined, debated, and re-examined virtually every facet of the companies identified as “great” companies, and in turn compared them to simply “good” companies. At the conclusion of the research project, the team identified several factors that enable companies to go from “good” to “great,” as well as those that hinder companies from moving forward.

### Level 5 Leadership

During the course of the research project, a series of commonalities were identified among “good-to-great” companies. One common factor was the type of executive in charge during the transition. The team individuals refer to them as “Level 5 Leaders” who have a mix of both personal humility and professional will.

Level 5 Leaders:

- Set up their successors for even greater success than they achieved

- Are unpretentious, unassuming and understated
- Are driven toward *results*
- Are diligent in achieving those results
- Attribute success to factors other than themselves
- Take full responsibility for things that went awry
- Are not necessarily “charismatic”

Every one of the “good-to-great” companies studied had a Level 5 Leader. In contrast, many of the comparison companies had hired charismatic, larger-than-life leaders from outside the company. These individuals failed to maintain a culture of greatness after they were gone, even if they had been successful for a short period of time.

A Level 5 Leader is important to organizational greatness, particularly in health care. These individuals are approachable, diligent and confident, without being presumptuous or overbearing. In a conflict-filled, regulated and ever-changing environment, an approachable and effective leader is critical to creating a successful team.

### First Who.... Then What

What does it all mean? The most important part of the build-up cycle is first identifying *who* will lead your organization, and then to talk about *where* that individual might take you. Jim Collins and his research team modified the saying “people are your most important asset” to read “the RIGHT people are your most important asset.”

The “good-to-great” companies studied all had a consistent model: surround the Level 5 Leader with other strong executives willing to argue, debate, and discuss issues in order

## Six Key Steps in Moving From Good to Great

- Find a “Level 5 Leader,” the right individual to lead the transformation from “good to great”;
- Selecting the right people for the journey;
- Create an environment that respects truth and honesty;
- Follow the “Hedgehog Concept” and identify organizational passions and what drives the economic engine;
- Develop a culture of discipline with highly-motivated and disciplined individuals; and
- Choose technology accelerators that support the journey from “good to great.”

to pursue the best possible answer. They must also be willing to unite fully behind a decision regardless of individual interests.

In surrounding themselves with highly capable and qualified executives, the Level 5 Leaders in “good-to-great” companies practiced what Collins and his team identified as “rigorous” people decisions, with three basic underlying principles:

- When in doubt, don’t hire – keep looking. Hire the RIGHT people.
- When you know you need to make people change, ACT. Make sure you have the right people in the right places.
- Put your best people on your biggest opportunities, not your biggest problems.

By practicing these three principles, companies find that the “right” people are much more likely to stick around when they don’t have to pick up the slack for the “wrong” people that are simply *allowed* to stick around. By making these rigorous people decisions, good-to-great companies allow individuals that do not fit well with the culture or direction of the company to find a place to flourish, and enable the right people in the company to enjoy their work environment and focus on what needs to be done.

In health care organizations it is difficult to recruit the “right people” all the time, but this is essential for upper level management down through the “trenches,” and including the board of trustees. Health care organizations do themselves a great disservice by recruiting trustees or employees simply because there is no one “better” to fill the position. Positions in health care are difficult to fill, but an organization that recruits great staff and trustees will become great. Recruiting individuals that have to be “carried” by others is likely to force the capable and qualified staff away. Great staff wants to work in an environment where they can focus on what needs to be done...not doing what someone else is unable to do.

## Confront the Brutal Facts

“Good-to-great” companies establish a culture where the truth can be told, and in turn where it is truly heard. In great organizations, leaders are able to get all the facts—the good, the bad, and the ugly—and make more informed and effective decisions based on those facts. Creating a climate where truth can be heard allows organizations to make informed decisions. Collins and his team established four steps to create that climate, including:

- Lead with questions, not answers
- Allow staff to speak openly
- Engage in dialogue and debate, not coercion
- Conduct “autopsies”, without blame. When something goes wrong, dissect the problem. Try to figure out how it went wrong and what to do to prevent it from occurring again, without placing blame
- Build red flag mechanisms that turn information into information that cannot be ignored

The major difference between the “good-to-great” companies and the others is that although both groups face the same challenges and adversity, the good-to-great companies face it head-on, and are better prepared when push comes to shove. Comparison companies are not necessarily aware of the realities of the situations and are ill prepared to face them.

In health care it is imperative for companies, boards and executives to confront both the realities of the industry and day-to-day management of the company. Health care organizations deal with life and death, regulations, angry families and disgruntled staff, and must continue to move forward to overcome these many challenges. To become a great organization, leadership must be able to accept and address these realities.

## The Hedgehog Concept

The fourth key concept identified by Collins and the research team is referred to as the “Hedgehog Concept.” The researchers believe that “good-to-great” companies act as hedgehogs, with the “ability to simplify a complex world into a single organizing idea, a basic principle or concept that unifies and guides everything.” They found comparison companies act more like foxes that are “crafty, cunning, and knowing many things, yet lacking consistency.”

The Hedgehog Concept incorporates three major questions, and implies that “good-to-great” companies successfully *answer* and *utilize* the integration of all three questions, to further the organization:

- What are you ***deeply passionate about?*** A “good-to-great” company maintains it should only do those things the organization can become passionate about.
- What can you be ***the best in the world*** at? The key to success in “good-to-great” companies is not necessarily focused on the core business, but in identifying what the organization can *truly* be the best in the world at. Sometimes this entails focusing on activities the organization might not currently perform, and establishing competence in those activities or services.
- What drives your ***economic engine?*** Determine what one denominator has the greatest impact on the organization: profit per  $x$ , or cash flow per  $y$ .

Health care organizations should take the Hedgehog Concept seriously. Competition is fierce in the world of health care and consumers are growing more savvy. In order to out perform competitors, organizations have to identify what leaders of the organization, and the organization as a whole, are passionate about, as well as what drives the economic engine. Whether an organization is for-profit or not-for-profit, it must identify how to make the organization survive *and* come out on top. Perhaps most important to health care organizations is to identify what you can be best in the world at, and then to develop a niche, create consumer loyalty and provide the best care possible.

## A Culture of Discipline

In order for an organization to build a culture where people take disciplined action and apply it to the three circles of the Hedgehog Concept, organizations must:

- Build a culture around the idea of freedom and responsibility
- Fill that culture with self-disciplined people willing to go to extreme lengths to fulfill their responsibilities
- Not confuse a culture of discipline with micromanagement or tyranny
- Create a “stop doing” list, and stop doing things that fall outside the three circles of the Hedgehog Concept

If an organization hires the *right* people capable of fully performing the duties of their job, these individuals also will more likely be self-motivated, self-responsible, and self-disciplined. These are intense people that do what needs to be done at a high level of performance simply because they cannot think to do it any other way. In a culture of tyrannical discipline, individuals are micro-managed by an executive who fails to allow them to take responsibility for themselves and their actions, or even creates an environment where it is unacceptable to take responsibility for one’s own actions. In a culture of discipline, individuals are motivated to do what is right, because they are the “right” people.

In health care it is important to have a very disciplined, highly intense, and self-motivated team of people working to perform at their highest level. Health care environments are consistently going in several different directions at one time. When individuals are encouraged to find the means to an end by their own path, they are more likely to take responsibility for it in the end.

## Technology Accelerators

The sixth concept identified by Collins and the research team shows that although the “good-to-great” companies effectively utilize carefully selected technology to accelerate the momentum from good to great, these organizations do not utilize technology as a primary driver in their attempt to achieve success.

Successful companies first identify where they need to go, and then select the means to help get there. Many of the comparison companies selected technologies with no real purpose other than that it was the latest and greatest.

For health care organizations this last concept is crucial. Many health care organizations do not have the money to buy the latest and greatest technology *and do not need to*. A company must first identify what services it is going to be the best in the world at providing, how to get there, and what technology can support that goal. Collins emphasizes that companies should *not* buy technology because it might come in handy. Invest in a true accelerator to help the organization achieve greatness. Be prudent in decisions to invest, because most technological purchases are serious investments.

*You can find a copy of “Good To Great: Why Some Companies Make the Leap...and Others Don’t” by Jim Collins, at your local bookstore, reference ISBN 0-06-662099-6 (hc)*

## Moving from Good to Great: Putting it All Together

Collins and the research team warn against trying to accomplish all the good-to-great concepts at once. The transformation from good to great takes a significant amount of time and encompasses each one of the following key concepts.

- Identify a *Level 5 Leader*, someone who can quietly and effectively lead your organization to the next level, by selecting the *right people* to accompany him/her on the journey
- By having the right leader and the right team, an *environment where brutal honesty and brutal truth* are confronted will emerge
- Allow a *culture of discipline* in which to apply the three contiguous circles of the *Hedgehog Concept*
- Carefully choose *the technological advancements* that will support the organization's journey from good to great
- Do not expect fast and sudden change
- Allow the framework to build itself, guided by the six key principles of "Good to Great"
- Create goals based out of understanding and diligence
- Realize that in all organizations, and specifically in health care organizations, people have the ability and the capacity to undertake greatness, if only they understand how to get there